

SB 95 became PA 86-273

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Thompson Signs Bill Altering Pension Plans

August 24, 1989 | By Daniel Egler, Chicago Tribune.

SPRINGFIELD — Gov. James Thompson signed legislation Wednesday to annually increase the pension checks of retired state employees, judges, legislators, teachers and university workers so they will be better able to cope with inflation and rising medical costs.

The measure also changes the funding mechanism for the five state retirement systems and the Chicago teachers retirement plan to begin during the next seven years to reduce the unfunded liability of those pensions, which now exceeds \$8 billion.

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The changes provide for compounding the retirees' annual 3 percent cost of living increases and granting identical increases to survivors, at an estimated cost this year of \$5.2 million. Under current law, the pensioners receive 3 percent increases based on their original annuity and survivors'

benefits are increased only periodically by the General Assembly.

For example, a retiree with a base pension of \$10,000 would receive \$10,300 on the first anniversary of his retirement. But his benefits would increase to \$10,609 the second year, rather than increasing to \$10,600 under the old calculations. The third year, his pension checks would total \$10,927, and then continue to compound annually.

The new law also earmarks \$30 million as the first installment on seven-year increases in state contributions to the pension systems, so that by 1996, pension fund levels will be sufficient to pay normal costs and amortize unfunded liabilities over 40 years.

In recent years, the state's contributions to the system have been held to 44 percent of payout to pensioners each year with investment earnings for the funds covering the remainder of the costs.

During fiscal year 1990, the state will contribute \$540.5 million to the retirement systems, an increase of \$67 million from last year, Thompson said.

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FOR IMMEDIATE RELEASE

CHICAGO, Ill., August 23--Governor James R. Thompson on Wednesday signed legislation providing for a 3 percent compounded annual increase for five state-funded retirement systems and the system covering Chicago teachers.

The state-funded groups are the Downstate Teachers, General Assembly, Judges, State Employees and the State Universities Retirement Systems.

"This legislation is the result of several years of work by the Governor's Retirement System Task Force, pension systems and employee unions to increase benefits for pension retirees, survivors and widows," Thompson said.

"Compounding the 3 percent annual increase is a benefit that will assist retirees and survivors in keeping up with inflation and increasing health costs."

Currently, retirees receive non-compounded annual increases based on their original annuity and survivors receive only periodic increases.

The State will contribute \$540.5 million to the five state-funded systems and the Chicago teachers system during Fiscal Year 1990. During FY 89, the State contributed \$473.5 million to those retirement systems.

Thompson said the increases were possible because of higher than expected revenues from the State's strong economy and the State's commitment to the retirement systems.

The average annuity for a teacher retiring this year is \$1,355. With the compounding increase, that teacher will be earning \$85 a month more than under the old system of increases after 12 years -- the average period for a teacher in retirement.

Senate Bill 95 and House Bill 332 both make various changes in the Illinois Pension Code.

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SB 95 establishes a funding plan that will phase in the State contribution increases over the next seven years. Under the plan, the retirement systems base State funding on the cost of benefits being earned by active employees and the amounts necessary over 40 years to eliminate the unfunded liability.

HB 332 makes the Illinois Pension Code consistent with the Federal Age Discrimination in Employment Act. It allows persons over 70 years old to be covered under the retirement systems while they're still working.

The bills also include numerous changes in the downstate and Chicago police and firefighter provisions of the Illinois Pension Code.

SB 95 was sponsored by Senator Emil Jones, Jr., of Chicago and in the House by Representative Sam Wolf of Granite City. The bill is effective immediately.

Also effective immediately, HB 332 was sponsored in the House by Representatives John Cullerton and Ralph Capparelli, both of Chicago, and in the Senate by Jones.

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